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THE ATLANTA ECONOMIC REVIEW

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This Month's Authors

ROBERT KEVIN BROWN

Dr. Brown is Associate Professor of Real Estate, School of Business Administration of Georgia State College of Business Administration. Dr. Brown's article will be of special interest to those cities desiring or planning to institute redevelopment and renewal programs.

WILLIAM C. WICHMAN

Mr. Wichman is a Vice-President of the General Electric Co. and General Manager of the Hotpoint Division.

This article is a digest prepared by Dr. W. R. Knight, Director of the Bureau of Business and Economic Research of Georgia State College, of a talk delivered by Mr. Wichman at General Electric's Advanced Management Course in February 1958.

MARY H. BOWDOIN

Mrs. Bowdoin is Research Associate in the Bureau of Business and Economic Research, School of Business Administration of Georgia State College of Business Administration.

This article on Georgia's railway freight patterns is a condensation of Research Paper Number 5, published by the Bureau of Business and Economic Research.

WARREN A. WALKER

Mr. Walker, who writes "The Southeastern Corner," is Economist on the State of Georgia Planning Commission. This month his article concerns the forest resources of the Southeast.

by

Robert Kevin Brown

The Role of Local Initiative in Urban Renewal

Introduction

Title I of the Housing Act of 1949 instituted a program of Federal government financial assistance designed to aid urban communities engaged in or desiring to undertake slum clearance projects. Under the Urban Redevelopment Program, enacted in 1949, Federal aid was visualized as a facilitating and encouraging device limited almost entirely to the redevelopment and rehabilitation of blighted slum areas.

Operating experience gained in the period 1949-1954 illustrated that the clearing of residential slums was one aspect of urban rejuvenation, rather than the sum total of its development problems. Accordingly, the Housing Act of 1954 expanded the conceptual limits of the program by authorizing Federal aid for the renewal of areas other than slum areas that needed either planned rehabilitation or clearance and redevelopment, or a combination of rehabilitation and clearance.

Today, urban renewal encompasses the whole of city development. Specifically, the program attacks the problems of city growth and orderly development from three points of view. They are:

1. **Total clearance**—This phase of the program is concerned with the demolition and clearing of areas whose physical components are incapable of being salvaged.
2. **Rehabilitation**—This phase of operation is concerned with the rehabilitation of the areas that can be economically restored.
3. **Conservation**—This phase of urban renewal encompasses the long-range aspects of maintaining the physical condition of urban housing components.

There is an apparent and not uncommon misconception prevailing in the public mind that urban renewal is similar in operating philosophy to many other Federal government subsidy programs, that it is a subsidization process which replaces private initiative with government money. Such an assumption is far removed from the truth. The Urban Renewal Program begins with local initiative—with the local community itself.

As initially instituted and in subsequent modifications, the Urban Redevelopment and Urban Renewal Programs have never deviated from their original fundamental concept that Federal financial assistance was to furnish **supplementary** assistance to local communities desiring rejuvenation of their physical environs, but whose resources were not adequate to do the entire job. If the fundamental philosophy of Urban Renewal can be reduced to two words, these would have to be **local initiative**. This is the indispensable ingredient. Without the wholehearted cooperation of local residents, an Urban

Renewal Program cannot proceed satisfactorily, let alone achieve the goal of municipal regeneration.

Let us trace for a moment, in outline form, the course which a typical local community would follow in the formulative stages of an Urban Renewal Program.

To begin, a body of responsible citizens in the community, usually the Mayor, the governing council, and business and professional leaders, recognize the need for a physical renewal of their community's physical environs. Further, they decide to take positive steps toward accomplishing the task. Accordingly, the group, with the aid of various city planning agencies, formulates a "workable program." In essence, the workable program covers the many facets incident to slum clearance and urban renewal, equated in terms of this community's particular problems. It is "... a community's own long-range practical guide to achieve civic face lifting, to rid itself of blighted neighborhoods, prevent recurrence of urban decay, improve building and housing standards, and prepare for orderly municipal growth."¹ Once the workable program has been formulated, the community may then make application for Federal financial assistance.

In addition to the theoretical allocation of future land uses contained in the workable program, the local community must commit itself to the attainment, within a reasonable time, of the following objectives:

1. The community must promise to institute adequate local housing, health and safety codes and ordinances with specific provision for their effective enforcement.
2. It must undertake a detailed analysis of blighted neighborhoods to determine the specific treatment needed.
3. The community must furnish assurance that it has an effective administrative organization to carry the improvement program to satisfactory completion. In addition, the community must demonstrate its ability to meet the financial requirements which the improvement program will entail.
4. The community must demonstrate that it will have satisfactory housing available for families displaced by the improvement program.
5. Lastly, and most important of all, the community pledges the wholehearted cooperation and support of its citizens for local renewal objectives.

If the workable program is approved, the project then proceeds as a joint undertaking of the local community and the Federal government toward, in theory at least, a satisfactory conclusion. It is imperative, however, that the covenants (mentioned

above) be attained, for success is contingent upon the satisfactory accomplishment of each item, singularly and collectively.

The foregoing narrative has attempted to highlight the role of local initiative in urban renewal. On a limited basis, the whole process begins on this level. As the desire for municipal rejuvenation reaches the stage of effective demand, however, the desires of the original small group of interested citizens must be supplemented by actions on a community-wide basis. Before any commitment of long-term Federal loan funds can be obtained, the support of the entire citizenry must be pledged as collateral; and this is as it should be, for urban renewal is designed to benefit every resident. Without the enthusiastic cooperation and support of the majority, urban renewal becomes merely a hollow-sounding term, incapable of producing its desired goals.

To illustrate more pointedly the role of local initiative in urban renewal, let us direct our attention to the problems connected with one specific aspect of the workable program—the institution and effective enforcement of local housing and sanitation codes—and equate the essential function of local initiative to the successful formulation of this phase of an urban renewal program.

The Local Housing Code

Many of the urban communities confronted today with the prospect of slum eradication have had housing and sanitation codes of one form or another on their statutes for many years. Despite this, the physical inventory of these communities has continued to decline, primarily because their codes have not been enforced.²

Slum eradication demands one of two things in regard to local housing and sanitation codes. Those in existence must be modernized to include both a comprehensive list of minimum standards and the means of enforcing conformity to these standards. If the codes are so outdated as to be beyond modernization, they should be replaced with new codes which, again, provide enforceable minimum standards. The present trend in American urban communities seems to lean toward the second alternative.³

The enforcement of a housing code is not an easy task, nor is the investigation incident to enforcement a simple accomplishment. Both will require the active support of all citizens: the landlords who

2. In many instances the codes could not be enforced effectively because no means were provided for the prosecution of violators. This factor was coupled in some instances with the dilatory attitude of local enforcement agencies.

3. A survey published by the Housing and Home Finance Agency in 1956 contained an analysis of the housing codes of 56 representative American cities. The total number of cities, ranging in population size from 6,906 to 2,071,605 and having an average population of 306,270, had begun to enact effective housing codes only since 1948. The greater percentage of the codes had been enacted in the period, 1953-1955. Housing and Home Finance Agency, *Provisions of Housing Codes in Various American Cities*, Urban Renewal Bulletin Number 3, U. S. Government Printing Office, Washington, 1956, pp. 1-2.

1. *Aids to Your Community Programs of the Housing and Home Finance Agency*, U. S. Gov't. Printing Office, March 1958, p. 4.

do not want to improve their properties; the tenants who do not want their quarters improved at the cost of an increase in rent; the politicians who will frame the code requirements and seek their enforcement; the many other citizens whose passive attitude toward the quality of housing in their community helped to foster the spread of slums. Effective housing code enforcement seems to promise great returns for this cooperation.

Illustrative of the benefits to be derived from the initiation and effective enforcement of a properly constructed housing code are statistics revealed by the Public Health Service relative to its study in Baltimore, Maryland, of the changes which occurred in the quality of housing after the enforcement of a housing code.⁴ Comparison of the "before" and "after" data revealed the following results in the survey area:

- (a) the average dwelling score of deficiency decreased by 35.5 per cent;
- (b) the average subtotal score of deficiency for facilities decreased by 13.4 per cent;
- (c) the average subtotal score of deficiency for maintenance decreased 74.2 per cent;
- (d) the average subtotal for occupancy decreased 7.2 per cent;
- (e) the percentage of owner-occupancy remained constant at 41.5 per cent;
- (f) the average shelter rent increased \$6.40, from \$36.40 to \$42.80, per dwelling unit per month;
- (g) the median family income increased from \$239.00 per month to \$259.00 per month.

The survey disclosed:

... that the enforcement effort resulted in significant improvement of the quality of housing in the pilot area without untoward effect on the residents. As a matter of fact, the improved dwellings are more healthful and safer places in which to live. Furthermore, the improvement in maintenance scores alone should insure that the useful life of these dwellings will be significantly extended.⁵

There appears to be only one eventual alternative to the upgrading of housing through the effective enforcement of a local housing code, and that is the gradual disintegration of the community itself. The impact of the slum is being experienced today by an ever-widening circle of citizens, many of whom once found it difficult to comprehend the viciousness and rapidity with which slum blight attacks and destroys physically and economically sound structures. Fortunately, this awakening of civic responsibility is beginning to reach significant proportions. It offers the greatest hope of urban salvation through the necessary community effort.

The Problem of Community Education

Coupled with the institution of an effective en-

forced housing code and the utilization, where necessary, of the process of urban demolition and renewal is the need for community education. Slums have resulted primarily from the activity or inactivity of people: landlords who have neglected to make necessary repairs to properties; tenants who have not attempted to bear a reasonable portion of the burden of property maintenance; and other citizens whose passive attitude contributed indirectly to the spread of slum blight.

A comprehensive housing program should include at its institution some provision for the education of landlords and future dwelling renters as to their respective responsibility for property maintenance. Education should include instruction on accepted maintenance techniques. Above all, the program should inculcate all residents with a knowledge of the benefits to be gained through housing conformity with established minimum standards.

The formation of civic improvement associations should be encouraged in every neighborhood to serve as the nucleus for a permanent community effort of housing maintenance, because the program of housing rejuvenation being proposed is a community affair. It is imperative that there be built up in each neighborhood an alert population "who will be able to see the advantages in having a 'renewed' environment, and who will have the know-how to keep it that way."⁶

The success or failure of an enforcement program will depend directly on the cooperative action of all residents, since they stand to gain or lose in direct proportion to the advances made against slum blight. It should be possible to enlist this support by the dissemination of pertinent information through the above neighborhood groups and other media of communication.

In the writer's opinion, one of the prime shortcomings of many urban renewal programs is the failure of those in charge to recognize the vital necessity of explaining program objectives, needs, and potential rewards to the populace. How can the active aid and support of the citizenry be enlisted if the benefits which can be derived from urban renewal and the dire consequences of doing without it are not demonstrated conclusively to them in meaningful terms. It is not enough to say that the civic-minded citizen who supports urban renewal will be placing community good over personal selfish interests. This statement, by implication, means that support of urban renewal will require sacrifice of some sort on the part of the local resident. Such an assumption, and the logical one to be drawn from the above statement, is not entirely correct. It is the writer's firm conviction that both the citizen's personal interests and community betterment will be benefited by urban renewal. In the

4. Public Health Service, U. S. Department of Health, Education and Welfare, *Housing Rehabilitation and Enforcement of Housing Laws*, U. S. Government Printing Office, Washington, D. C., 1955, p. 34.

5. *Ibid.*

6. Martin Millsbaugh, *What is Urban Renewal?*, New Face for America Committee of the National Association of Home Builders, National Housing Center, Washington, D. C., 1956, p. 14.

short run, the citizen's personal interest and community betterment can be identified as separate and distinct entities; but, as the term of years lengthens, the two tend to become inseparable, since the economic, social, and political well-being of every citizen will depend directly and incontrovertibly on the economic, social, and political well-being of the community in which he lives, works, and plays.

It is important to stress, therefore, the long-range aspects of urban renewal. Slum blight and decay did not happen overnight. They will not be extinguished in rapid fashion either. Further, assuming the community is successful in eradicating blight, it will be faced with the continuing obligation of preventing the rebirth of the slum disease.

A program of education is an essential ingredient of a housing program for it will help to promote the essential community action. "Before a neighborhood will be truly renewed," the experts recognize, "the people living in it will have to learn how to cope with the ever-present pressures that would exploit it again."⁷

The Problem of Code Rigidity

The requirements of housing codes must be attuned to the prevailing construction practices and techniques in each specific locality. In the creation and attempted enforcement of rigid standards, there is a great inherent danger which must be avoided by careful examination of each standard in a community's housing code. Local construction techniques and code standards must co-exist, since the enforcement of minimum requirements seems to imply the upgrading of substandard units to at least a minimum level prevailing in the community. Local attitude toward this aspect of urban renewal will depend greatly on how well the code equates accepted values with its minimum requirements.

The following list of general standards, developed by the Build America Better Council of the National Association of Real Estate Boards, is indicative of some of the more fundamental aspects which should be provided for in the enactment and enforcement of housing codes:⁸

(1) inside running water, flush toilet and bathing facilities with sewer connections and proper ventilation in each dwelling unit;

(2) adequate heating equipment;

(3) a properly maintained dwelling, in good repair, and kept structurally safe and weatherproof;

(4) plumbing maintained in sanitary and workable condition;

(5) adequate light, air, and ventilation;

(6) specifications for occupied basement rooms, if they are permitted;

(7) specifications for the maximum number of

persons allowed per room (usually not more than an average of 1½);

(8) all dwellings, yards, and open spaces kept clean and free from accumulations of dirt, vermin, and debris;

(9) definite responsibility placed upon the occupier of the premises for exterior sanitary and other conditions;

(10) specifications for size, cubage, and ventilation of sleeping rooms;

(11) provision that the proper municipal official or department, after due notice to the occupant or owner, or both, may correct any violation of the health, fire, sanitary, or other related code and charge the property with a lien; or that he have power, when necessary, to order the property vacated;

(12) stiff fines for each day of continued violation imposed against the owner, occupant, or both.

The Problem of Finance

One of the objections to the practicability of effective housing and sanitation code enforcement has been the claimed or actual lack of a source of loan funds necessary to effect necessary property improvements. It is one thing, the critics claim, to tell an owner to rehabilitate his property, but it is quite another thing to secure enforcement of the order when he does not have the financial resources to effect the repairs. Further, there is no accepted source of finance wherein the property owner can obtain a loan of such funds. The property owner is faced with a paradoxical problem. Granting that he has the desire to make his property comply with the housing code, his cooperative attitude is for naught, for he is forced, out of economic necessity, to refuse. If the code is being enforced effectively, the result of the owner's failure to comply is the institution of a fine; the affixing of a municipal lien on the property if the municipality undertakes the repairs; and ultimate foreclosure and sale of the property. Through no apparent fault of his own, the distraught property owner is deprived of the title to his property.

The incidence of this disadvantage falls primarily upon many property owners in the older, "close-in" urban residential neighborhoods. It is particularly pronounced on older potential borrowers with low incomes or pensions whose real purchasing power is being reduced through inflation. By definition, other factors remaining equal, a younger person is a better mortgage risk if for no other reason than the factor that he is expected to live beyond the term of the loan. When this situation is coupled with the older person's reduced real income, the inequity becomes apparent.

It is imperative that some method of finance be provided so that the owners of properties not meeting the minimum requirements of the housing code can secure the financial means for making necessary

7. *Ibid.*

8. Build America Better Council, National Association of Real Estate Boards, *Blueprint for Neighborhood Conservation*, Henry J. Kaiser Company, 1956, p. 12.

repairs and improvements. If the program of housing code enforcements is to function properly and make its vital contribution to the preservation of urban communities, it must be administered in a positive, constructive fashion. The absence of a satisfactory source of loan funds, available to all owners whose properties qualify structurally, mitigates against public acceptance and support of code enforcement. Not only will effective enforcement be curtailed, but also the application of any enforcement procedures will be achieved in a negative, punitive fashion.

The precepts of a private enterprise system seem to dictate that the impetus behind a lending program should come from the fraternity of private lending agencies.⁹ They stand to benefit greatly from the effects of housing code enforcement. Not only will they be receiving sound physical collateral as security for improvement loans made, but the over-all upgrading of the urban housing inventory should increase the value of other residential investments they might have. In other words, the task for furnishing the required loan funds is a responsibility of the local community. Once again local-level initiative is required.

The Federal government, recognizing belatedly the necessity for a source of available improvement and modernization loan funds, has sought to encourage private lenders to make such loans by offering the inducement of the benefits of the Federal Housing Administration insurance program. Accordingly, there was incorporated in the United States Housing Act of 1954¹⁰ a new Section 220 program which authorized Federal Housing Administration mortgage insurance for the rehabilitation of existing dwellings in slum clearance and urban redevelopment areas where Federal aid was being extended under Title I of the United States Housing Act of 1949.¹¹ In addition, the Housing Act of 1954 contained a new Section 221 program which provides Federal Housing Administration mortgage insurance for low-cost housing for displaced persons in a community where slum clearance and urban renewal and redevelopment programs, under Title I of the Housing Act of 1949, were programmed.¹²

9. The fiduciary character of lending institutions has resulted in the imposition of statutory and regulatory controls which govern and restrict lending policies. The writer's encouragement of increased lending activity by these institutions assumes that their desire and ability to cooperate in this phase of the urban renewal program will be conditioned by existing regulations, as well as by the "risk factor" involved.

10. Public Law 560, 83rd Congress, August 2, 1954.

11. Mortgage limits were the same on one- to four-family dwellings as under the regular Section 203 sales housing program, except that structures with more than four-family dwelling units could be covered; and, in such cases, the mortgage limits were \$35,000.00 plus, not to exceed \$7,000.00 for each family unit in excess of four. See Housing and Home Finance Agency, Office of the Administrator, Brief Summary of the Housing Act of 1954, U. S. Government Printing Office, Washington, D. C., 1954, p. 3.

12. The maximum mortgage amount available under this Section was established at \$7,600.00 or \$8,600.00 in high-cost areas and 95 per cent of value. Owner-occupants utilizing this program are required to make an equity downpayment of at least five per cent. The maturity of Section 221 mortgages is not to exceed thirty years or three-fourths of the remaining economic life of the property, whichever is lower. The interest rate is five per cent, but it can be increased to six per cent if such is necessary to meet the demands of the mortgage market, *Ibid.*, pp. 3-4.

Conclusion

The major housing problems confronting the urban community are two in number. First is the problem of insuring as best it can the maintenance of a healthful and sanitary living environment for its citizens. The community must use every means at its disposal to secure a minimum standard of housing for all its families. Variations above this minimum will depend upon the initiative of the individual family unit. If the means do not exist in a community for pursuing this goal, the community must then create some constitutional means to fill the void.

Secondly, the community must create a high quality level of real property by the construction of new buildings, the upgrading of existing dilapidated but salvageable houses, and the demolition of those which are not. Then the community must maintain the quality of its physical inventory at as high a level as possible.

The over-all problem is a composite one. The quality of residential dwellings must be upgraded before the community can hope to approach the attainment of a sanitary living environment for a substantial portion of its population. If progress is made in the quality improvement of residential structures, the creation of a healthful living environment should follow as a matter of course. It will be then a question of maintaining structural and environmental components.

The extinction of the slum will require complete citizen support of a well-planned and executed program that will contain within its own horizons the eradication of existing slum areas and the institution of preventative measures to forestall the regrowth of future slum areas. Relatively speaking, slum eradication will include the short-term aspects of the program; slum prevention will encompass the facets of a long-range point of view. Instituted together and operating concurrently, the two approaches will enable the citizens of a community to rid their urban neighborhoods of existing slums and eliminate their recurrence.

Urban renewal is not a luxury item, to be purchased with a community's surplus time, money, and effort. Today, the urgent necessity for a positive course of action is becoming increasingly clear. Urban renewal, including demolition, rehabilitation, and conservation, is a life-giving necessity for virtually every American community. Without it, urban areas cannot hope to survive. In essence, the situation is one of survival. It is as simple and as foreboding as that.

Local initiative is the first essential and it is also the last, for responsibility rests on the local residents for program initiation, operation, and successful conclusion. Local initiative, therefore, equals urban renewal, for local initiative is urban renewal.

[End]

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The Principles of Measurement

As They Pertain To Business Management

by

William C. Wichman

It will be convenient to consider the subject of measurement in business administration under three main categories. In the first it will be shown that the principles of measurement are actually one of the basic components of managerial action. In the next section attention will be directed toward specifically **operational** measurements of a business enterprise. In the third section I shall discuss the measurement of the performance of individuals within the business firm.

MEASUREMENT: A BASIC ELEMENT IN MANAGERIAL ACTION

At General Electric the elements of managerial action are called Planning, Organizing, Integrating, and Measuring.¹ In this report our attention will be centered on the process of measurement. Right at the outset, I would like to stress the fact that this factor pervades much of human action. One may say that human action, looked at closely, basically consists of the employment of chosen means to reach a chosen end or goal; this process, to the extent that it is rational, is characterized by thoughtful consideration, evaluation, and comparison. Since measurement is fundamentally a comparison, it is an indispensable component of choice. To the extent that measurement is competent, the means favored will tend to be the best among practicable alternatives, and the end sought will be attainable. Thus, measurement is a part, and part only, of a complex human process. This process (a reasonable one) may at any time be set aside for hunch, instinct, or emotion. We cannot think of ourselves as managers

1. Some people say that the fourth function should be labeled Control, rather than Measurement; the two designations have similar meanings for our purposes, although the word "control" includes "measurement" plus something in addition—namely that the manager "do something about it."

apart from ourselves as men, nor can we easily divorce the practice of measurement from the most deeply interwoven involvement with the skein of human affairs. We measure as people, and those whose performance we must measure are also people. To make it worse, we must also measure ourselves!

Let us relate this analysis to business administration. Every manager knows that a plan, when put into a real world situation, may have results which differ from the intended ones. Anticipating this, a manager frequently makes a "dry run" of a given plan. Actually, in this case the manager is engaging in a measurement process because he is comparing a result with a goal to determine the degree of difference. It is clear then that measurement, like all other human actions, may be speculative or historical. A business manager frequently engages in both types of measurement.

Characteristics of Good Goals and Plans

It has been pointed out that the process of measurement is closely linked with the setting and revising of specific goals and plans. It will be fruitful, next, to think for a moment about the requirements which goals and plans ought to meet. Any goals set should:

1. Contribute rather directly to measurable progress in one of the broad areas for results which are indicated by the over-all objectives of the organization.
2. Be "backed up" by plans.
3. Be based on stated assumptions as to external conditions and in relation to needed resources and co-operation. (These assumptions are perhaps not vitally necessary for making the measurement, but they are certainly essential to understanding the reason for a discrepancy between the result and the goal; obviously, any purposeful use of the measurement depends on the validity of that analysis.)

4. Be consistent with what we refer to as "the man-manager relationship," since we assume that our enterprise is basically a cooperative one. This will be discussed later.

The plans to "back up" these goals should:

1. Be specific to the maximum possible degree.
2. Be feasible within the use of man power and resources which can be assigned.
3. Reflect the fullest consideration of alternate methods of reaching the desired goal.
4. Be fragmented in such a way that both plans and goals can be broken down easily for measurement, so that the plan will not go too far astray without being checked and corrected through the use of measurement feedback.

Words of Caution About Measuring

One of the most fundamental principles, and one which is often violated, is that the property one measures must be isolated and evaluated in exactly the same terms as the standard or goal which has been set. Furthermore, in rendering a final judgment on a business operation, it is well to remember that many types of measurement are frequently involved, some of which can be measured objectively and some of which cannot. One of the greatest difficulties arises from the fact that value judgments must be used in arriving at some of the "numbers" necessary for certain types of measurement.

Ludwig Von Mises has something important to say at this point in his monumental treatise *Human Action*. He says,

A judgment of value does not measure. It arranges in a scale of degrees or grades. It is expressive of an order of preference and sequence, but not of measure and weight. Only the ordinal numbers (those indicating order or succession; for example, first, second, etc.) can be applied to it—not the cardinal numbers (one of the numbers used in simple counting or in reply to the question, how many?—as distinguished from an ordinal number). It is vain to speak of any calculations of values. Calculation is possible only with the 'cardinal' numbers.

This point is extremely well-taken, but I wish to point out that we are using the term "measurement" in a broader sense than does Von Mises.

There will be some relationships which probably cannot be quantified in any useful sense in terms of cardinal numbers, but which can be expressed as value judgments with ordinal numbers—for example, the ranking of alternatives in order of priority. For this reason, business administrators should include in their scope of measurements some value judgments which Von Mises would term "unmeasurable." These can be extremely important in business administration, but one should be ever on guard to remember that the base on which they rest, in the final analysis, is purely subjective and personal.

The final summation in a measurement operation which is to tell us whether or not the results accomplished were "good, fair, or poor" will be the result of **understanding** based on deep familiarity and made after the fact, with all pertinent factors known, including of necessity the assumptions as to the future on which the action was based (be-

cause the original action was taken against an uncertain future).

Specific Considerations Concerning the Measurement of Business Results

When people express doubt that business management can really be measured, it is well to bring to mind that everyone with whom a business concern comes into contact in any way actually does measure its performance insofar as it affects his interest or relates in any way possible to his actions as an individual. Mr. Cordiner, our firm's president, made this point very clear when he spoke before the Executives Club of Chicago in March 1957, when he said the General Electric Company is being asked to fulfill the following expectations:

As customers, people expect not only a good product at low cost. They also expect the excitement of spectacular new features and services, unfailing courtesy on the part of the salesman, and the ethical assurance that they are dealing with a fair and honest company.

As share owners, they expect not only profits and appreciation of the worth of their investment. They also are beginning to expect information, participation, and pride of ownership in a creative company.

As employees, people expect not only a steady job with good pay, benefits, and working conditions. They also expect full information, dignity, participation, recognition, and a rewarding man-to-man association with the manager and others.

As suppliers, distributors, and dealers, people expect not only an opportunity for profit and steady business in competition with others. They also expect recognition of their dignity and standing in the community, warm and friendly associations, and the assurance that they are dealing with a fair-minded company.

As citizens, people expect not only the kind of material performance that contributes toward a prosperous economy and national security. They also look to a company to measure up to their ethical and social expectations, as represented by such things as its genuine interest in people and the community; its emphasis on human considerations; its really dedicated work in charity and other worthwhile causes; its obedience both to the spirit and the letter of the law; its recognition that what other people think is important.

The fact that several goals need to be accomplished by a large business firm complicates both the job of the administrator and the process of measuring the results of business performance. This dilemma affects each one of us more than we are apt to realize. When we consider that each of us plays several roles, it is clear that the same person is undoubtedly measuring the business concern from several standpoints and that it will be exceedingly difficult to sort these out. Furthermore, we ourselves are thinking both as employees and managers, and perhaps also as shareowners and customers, when we attempt to measure the performance of our own company.

The Place of Profits in Measurement

What we must measure is the **accomplishment** of management; to do this it is essential to look a little more closely at the total job that business is trying to do. Profit has been called the means and

measure of accomplishment under our competitive market system. It is the **means** of accomplishment in two ways: first, in that the accumulation of profit in itself furnishes resources for growth and, second, in that the profit record is one criterion by which new capital is attracted. It is the **measure** of accomplishment because profit is the fee or reward earned by an enterprise for serving economic needs.² Unless a business adequately serves an economic need, it cannot serve its social needs. If it violates its social obligation, it will not be permitted to grow and develop. Thus, we inescapably find that corporations, as well as human beings, are faced with a necessity for multiple objectives.

As regards operational measurements, almost all business concerns today do quite a good job of recording their profits, and many of them have adopted effective analytical and budgeting procedures which certainly take them a long way along the measurement path. At General Electric we have felt that the measurement of the results of an enterprise as a **whole** and of each of the decentralized business components which make up our total enterprise demands that a broader view be taken and that the operational measurements encompass the balanced performance of a business.

Defining Balanced Business Performance

In the first place it is necessary to enlarge that relatively narrow vision which relies entirely on short-range profit measurement as the index of business success. Perhaps the purpose of a business enterprise may be said to be to so serve its customers as to secure for its owners growth and continuity of profits to a degree consistent with its opportunities and the resources committed to it; at the same time, it must fulfill its social obligations by satisfying all of the varying demands of its contributor-claimants (shareowners, customers, employees, suppliers, the public, government). In order to do all this the firm must:

1. Create, both externally and internally, a climate of sympathy with its purposes, acceptance of its intentions, and belief in its ability to carry out these intentions.
2. Develop and train its people so that they will:
 - a. Conceive products or services with leadership in the market place.
 - b. Sell them with such effectiveness as to secure an appropriate market share.
 - c. Design, produce, and market them with such effective use of facilities, materials, and human effort as to achieve costs which will allow adequate margins when products or services are sold at competitive prices.

(1) Key Result Areas

Having defined the concept of the "balanced

2. I should like to define a business enterprise as an organism serving economic and social needs, whose competitive performance in serving its economic need can be measured by applying the tests of the market places—that is, by measuring the growth and continuity of profit actually achieved when that performance is compared with opportunity. The fact that a business enterprise also serves a social need is evidenced by the list of expectations, as reviewed in Mr. Cordiner's speech, of all our contributor-claimants.

functioning" of a business enterprise, the next step in business-management thinking is to choose specific policies which will achieve the points desired. At General Electric we have identified eight "key results areas" which are vital in this connection. Each of these areas has to meet the following test: "Will continued failure in this area prevent attainment of managerial responsibility for advancing the enterprise as a leader in a strong, competitive economy, even though the results in all other key areas are good?"

The key areas which we have chosen are as follows:

1. Profitability
2. Market position
3. Productivity
4. Product leadership
5. Personnel development
6. Employee attitudes
7. Public responsibility
8. Balance: long and short range goals

If management will set goals which are consistent with the key areas listed above, and if these goals can be achieved, it should result that General Electric will advance as a leader in a strong competitive economy.

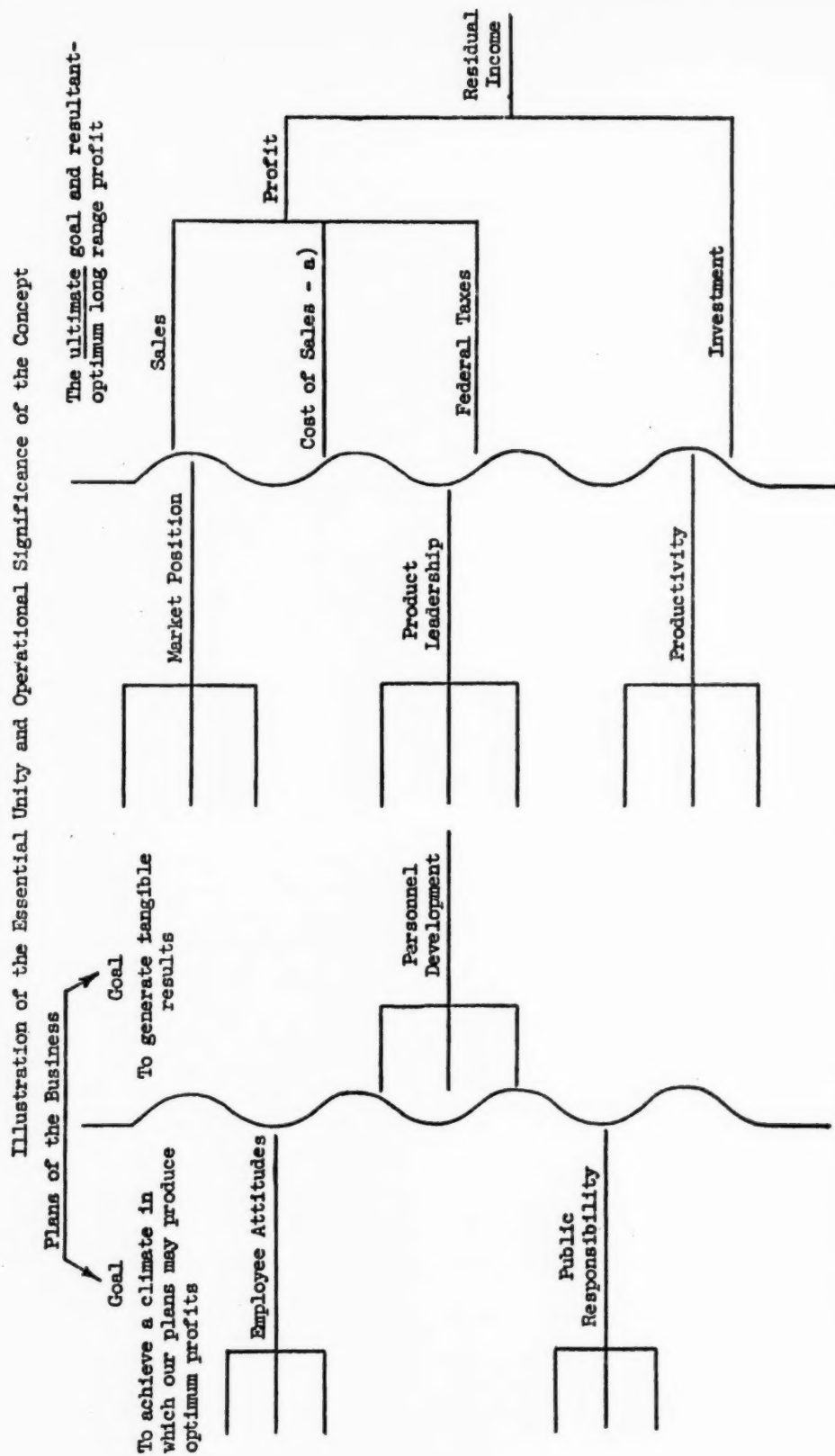
(a) The Operational Significance of the Key Areas

A chart has been prepared to illustrate in a simple way the unity and operational significance of the eight key areas (Figure 1). It will be observed that the pair of areas at the left, "public responsibility" and "employee attitudes," have as their goal the establishment of a climate in which our plans and ultimate goals can be accomplished. To the extreme right of the chart is shown the profitability result area in the form of the factors which go to make up the key indicator, residual income. In the center of the chart are shown the areas in which the plans of the business contribute directly to profitability. These areas are personnel development, market position, product leadership, and productivity. This concept of the result area is of great value, I believe, in the vital process of visualizing the entire field in which the objectives of the business are encompassed and in which inevitably the operational plans must be focused.

MEASURING THE PERFORMANCE OF INDIVIDUALS

The measurement of results and trends of **organizational components** is one thing, but of **individuals** it is another. As a first step in our thinking in regard to the measurement of individual performance, let's look carefully at the practical use to which operational measurements are put. The Company's Incentive Compensation Plan lays a great deal of stress on operational measurements, and the subsequent appraisal of departmental performance, in the determination of how much money to pay those

Figure 1

KEY RESULT AREAS

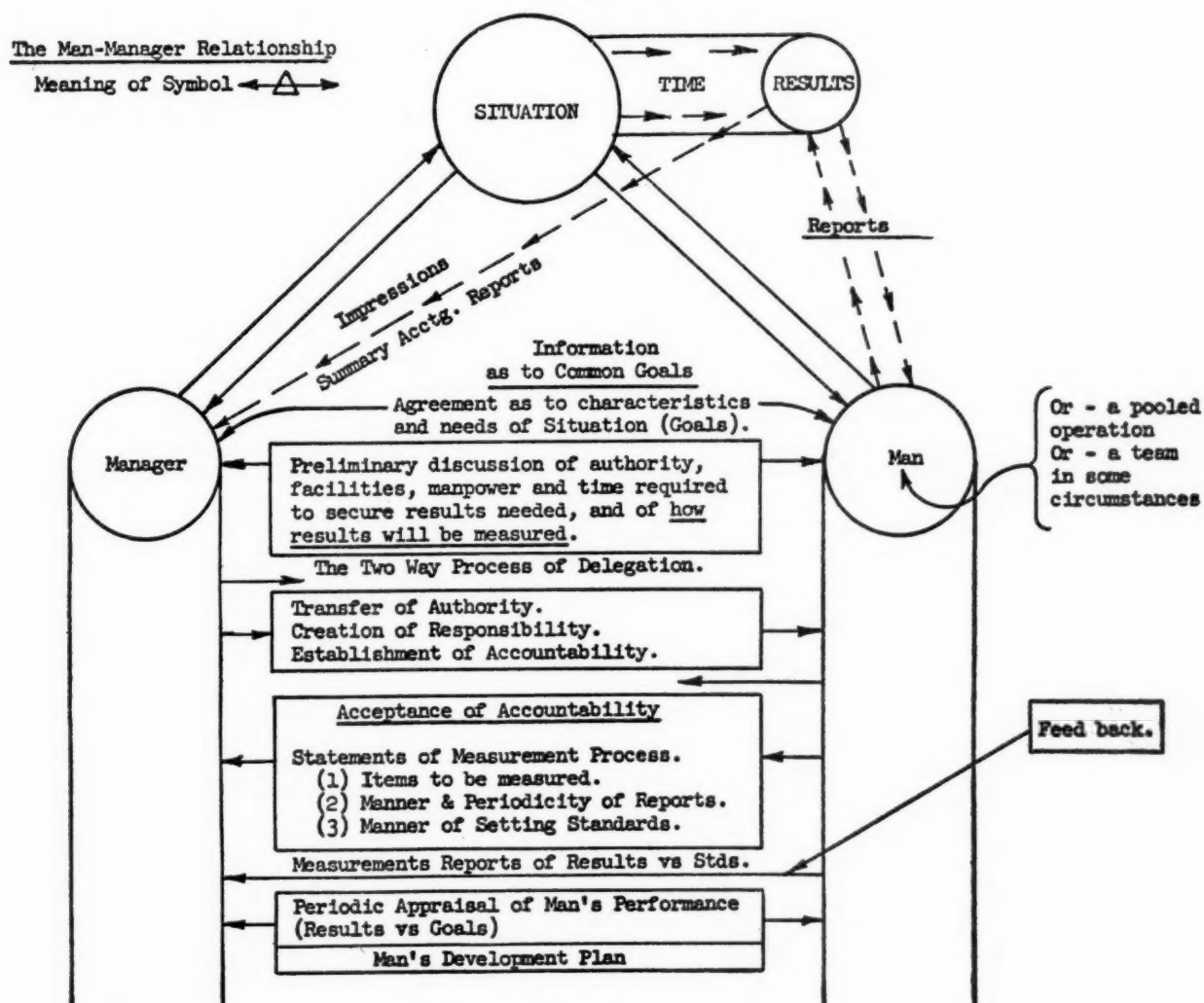
a) When this is divided into "Program" costs, Budgeted Costs and Variances, then Balance Sheet and Long Range Goals can be achieved by timely initiation and implementation of projects, proper control of resulting "Program" costs, and at the same time meeting current Budgeted Costs.

who are members of the plan as additional or "incentive" compensation for their year's accomplishment. Practically, therefore, it would be extremely naive and unrealistic to fail to recognize that an exceedingly narrow line divides a measurement of component performance from that of individuals who are thought to influence the results of the component. Several divisions of our particular group, for example, have worked out rather elaborate procedures for appraising departmental performance as a **balanced** job against carefully considered goals; it is a delicate and important matter to proceed from this point to translate over-all performance into some kind of evaluations of individual contribution in order that fair incentive-compensation payments may be made.

The focal point of the whole matter, it seems to me, lies in a proper man-manager relationship

(Figure 2). One important phase of this relationship is an agreement between the two men of what the measurement process will be in a given situation as well as a statement of the things for which the man will be responsible. However, before this statement can be made, a number of things must precede it which I shall endeavor to explain. First, the manager and the man must review the situation and set up the man's job. In this process it is obvious that the man must have all needed information with respect to common goals, stemming directly from a recognition of the fundamental purpose of the enterprise, tempered by a mutual study of the situation and the results which, therefore, need to be accomplished in a certain time. When the manager and the man have reached an agreement as to the characteristics and needs of the situation, they will be in a position jointly to determine the goals of

Figure 2



this particular position, and the manager will know (because it is his job to know) that these targets are in harmony with the goals of other members of the organization. The man and his manager can then enter into preliminary discussion of the authority, facilities, manpower, and time required to secure the results needed, and of how the results are to be measured. This is part of the two-way process of delegation, which on the part of the manager involves transfer of authority to the man, the creation of responsibility, and the establishment of accountability. The man's part in this two-way process of delegation is the **acceptance** of accountability, which includes a statement of the measurement process and involves agreement on items to be measured, manner and timing of reports, and the manner in which performance standards will be set. Then, periodically, the man makes a report to his manager comparing results with standards, goals, or budgets, and explaining deviations. Goals may be modified and plans changed as a result of these meetings. Finally, there ensues the manager's periodic appraisal of the man's performance. To all intents and purposes this is the integrated resultant of the process of comparing results versus goals in all phases of the man's accountability, making use of "hindsight" and weighing carefully all circumstances involved. Following this is the use of these analyses to implement the man's "personal development plan."

After a man has discussed the various points above with his manager and agreed upon the measurement process which will be employed, it is important that he next frame his position guide for the period, writing down the specific goals for which he will be accountable in each of the eight

key result areas (discussed in the previous section). To do this he will have to make certain assumptions as to the situation, as to what resources and facilities he needs, and as to his relationships with others in those goals which involve "team" effort. He and his manager are going to have to agree how he will be measured in "teamwork" assignments; this is complicated and will probably vary according to each teamwork situation. When the man finishes, he will have prepared an accountability sheet which is specific and to the point.

Summing up this section, let me say that consciously or unconsciously we managers tend to use measurements of component results when we evaluate the performance of some individuals. It is essential that this be done in a planned and thoughtful fashion. If proper man-manager relationships exist it will be possible to identify the contribution of individuals and of "teams" in relation to the plans and goals which lead to component results in the company's eight key result areas. Although the measurement of individual performance is difficult, we cannot shrink from it because the perils are too great. The following are some of the penalties we shall be forced to experience if we do not do a good job of measuring individual performance: (1) a drift away from individual incentive and the merit system and toward a "time serving" or "seniority" system, which none of us really want; (2) the decentralization program of the company cannot fully succeed; (3) many managerial actions will be taken without the benefit of measurement feedback; (4) our "self-development" plan for people at all levels will be deprived of its principal support.

[End]

Georgia's Railway Freight Patterns

by
Mary H. Bowdoin

The trade pattern of a region is a revealing measure of its economy, the web of commodity exchange pointing out deficiencies as well as abundance in existence and/or development of natural resources. Trade patterns also reflect changing economy structure, as is strikingly demonstrated in the magnitude of forest products and their derivatives in Georgia's export pattern of recent years as compared to the relatively small shipments of cotton—a product at one time almost synonymous with the "Georgia economy."

The in and out flow of goods is indicative of comparative advantages—the advantage one region has over another in one or more of the various requisites for production. This advantage may be reflected in many aspects: for example, in more available, more skilled, or cheaper labor; or it may be seen in abundance of raw material or water power, availability of capital, or superior or cheaper transportation facilities; or, again, there may be legal (such as tax concessions) or institutional situations which give one section an advantage over another in the production of a given item; finally, there may be a combination of two or more of the desired factors.

States endowed with specific natural resources, such as coal or oil, are said to have a comparative advantage as to materials. Florida and California have a comparative advantage in climate suitable for the growing of citrus fruit. The textile industry in its movement to the South found a comparative

advantage, not only in labor supply but in labor cost, and, as has been pointed out, in low labor cost per unit of production.¹

Trade, then, may be described in part as exchange, direct or indirect, of products resulting from unlike comparative advantages. This description becomes less applicable, however, as boundaries of "economic regions" are narrowed. In the Southeast many trade patterns of the states are similar, as like industry bases are found in adjacent states and exchange of like products occurs. Therefore, for some types of productive activity the southeastern states do not have comparative advantages in regard to each other, but are in reality competitors—such as in agricultural pursuits, in forest and forest-products development, and in the more recent advances in the poultry business. But, with more distant regions, having dissimilar geography and topography, trade patterns evolve that are complementary or supplementary rather than competitive or duplicating—patterns which reflect unlike comparative advantages.

Table 2
Per Cent of Total Exports from Georgia
To Great Lakes and Northeast Region, 1949-1955
Carload Railway Freight

From Georgia to	1949	1950	1951	1952	1953	1954	1955
	%	%	%	%	%	%	%
N. Y.	6.1	6.3	4.9	5.7	5.3	5.5	5.4
N. J.	3.7	3.7	3.4	3.0	3.3	3.0	3.4
Pa.	5.9	5.2	5.3	4.5	5.8	4.8	5.1
Ohio	5.8	6.3	6.6	5.8	6.5	6.6	5.4
Mich.	3.8	3.9	3.2	3.5	3.5	4.0	3.9
Ind.	2.6	2.7	2.6	2.1	2.5	1.9	2.8
Ill.	4.3	4.7	4.5	4.0	4.3	5.1	4.4
Wisc.	2.8	2.9	2.1	1.7	2.8	2.9	2.6
Total	35.0	35.7	32.6	30.3	34.0	33.8	33.0

Source: Carload Waybill Statistics, 1949-1955, ICC.

Many other influences have become important in determining the over-all trade pattern of an area. Transportation development has augmented the advantages of market-orientation (industry-location near markets), and a large part of Georgia's indus-

Table 1
Per Cent of Total Exports from Georgia
To States Bordering on Georgia, 1949-1955
Carload Railway Freight

From Georgia to	1949	1950	1951	1952	1953	1954	1955
	%	%	%	%	%	%	%
Ala.	9.7	10.0	11.2	8.8	8.2	8.3	8.4
Fla.	13.1	14.5	13.7	15.1	17.7	20.3	20.3
N. C.	5.0	4.6	4.1	3.3	4.0	3.7	3.3
S. C.	9.9	8.9	12.8	18.7	12.7	8.9	6.7
Tenn.	4.7	6.1	5.8	6.2	5.0	5.8	7.3
Total	42.4	44.1	47.6	52.1	47.6	47.0	46.0

Source: Carload Waybill Statistics, 1949-1955, ICC.

1. Warren A. Walker, "The Southeastern Corner: Textiles in the Southeast," *The Atlanta Economic Review*, January 1958.

Table 3
Georgia Exports by Major Classification, 1949-1955
Carload Railway Freight (in tons)

Year	All Commodities	Manuf. & Misc.	Products of Forests	Products of Mines	Products of Agric.	Animals & Animal Prod.
1949	7,525,000	2,561,900	2,556,300	2,009,800*	339,800	57,200
1950	9,036,400	2,998,100	3,139,500	2,413,900*	446,100	38,800
1951	10,343,300	3,613,500	3,254,600	2,985,100	435,200	40,200
1952	10,409,600	3,109,700	3,220,400	3,602,800	403,600	43,300
1953	9,246,400	3,060,200*	2,988,000	2,749,100	400,800	48,300
1954	8,610,400	3,177,800	2,259,200	2,729,600	372,200	62,800
1955	9,407,000	3,743,900	2,490,900	2,864,100	251,500	38,900

*Data for products of mines for 1949 and 1950 and for manufactures and miscellaneous for 1953 obtained by subtracting total of other commodities from total "all commodities" for the appropriate year.
Source: Carload Waybill Statistics, 1949-1955, ICC.

trial progress of recent years has been the result of new industry located in Georgia, not because of proximity to raw materials, but in order better to serve the southeastern area.² In such cases then, the natural resource factor concedes its comparative advantage to the market-proximity factor.

The rail freight waybill data compiled by the Interstate Commerce Commission, though it has certain limitations,³ gives a picture of one segment of the import-export commodity flow. It should be pointed out that this study is based on a **sample of carload rail freight tonnage only**, and the vast motor carrier operations, in addition to other forms of transportation, are not included in the trade picture described in this study. Also, since **tonnage** has been used as the unit of measure, obviously heavier materials erroneously assume greater relative importance.

Table 4
Manufactured Products
Principal Exports from Georgia, 1955
Carload Railway Freight

Commodity	Total Tonnage	Chief Destination
Paper & allied products*	1,581,700	Great Lakes states
Scrap iron	198,200	Ala., S. C., Tenn.
Brick	192,400	Fla., S. C.
Fertilizers	134,000	S. C., Ala., Fla.
Food products NOS**	121,300	Florida
Feed (animal & poultry)	113,200	Fla., Ala.

*Includes woodpulp (180,900 tons).

**Not otherwise specified.

Source: Carload Waybill Statistics, 1955, ICC.

EXPORTS

Direction

The rail export tonnage pattern shows that Georgia's market area for her products, though largely limited to the region east of the Mississippi River, is nevertheless three-fold in scope: (1) local—intrastate; (2) regional, but on a limited basis—part of the section usually considered the Southeast; and (3) national, but on a limited basis—the northern and northeastern states. (The determination of the extent to which Georgia products in some form reach

2. Examples are automobile assembly plants and General Electric and Westinghouse transformer plants.

3. The limitations are discussed in some detail in the full research paper. For complete information on the waybill data, see *Waybill Statistics, Their History and Uses*, Statement No. 543, February 1954, Bureau of Transport Economics and Statistics, Interstate Commerce Commission.

other parts of the nation through these northern outlets would require further research.)

Of the nearly 9½ million tons of commodities exported from Georgia in 1955, Florida alone received more than one-fifth, and the states bordering on Georgia (including Florida) received nearly one-half (46 per cent). Table 1 gives the percentage distribution of exports to neighbor states for 1949-1955.

Table 5
Products of Mines
Principal Exports from Georgia, 1955
Carload Railway Freight

Commodity	Total Tonnage	Chief Destination
Clay	1,381,800	Northern states, Texas, Tenn., Ala., Fla.
Crushed stone	573,200	Fla., S. C., Great Lakes states
Iron ore	282,900	Alabama
Sand and gravel	221,300	Fla., Ala., Tenn.

Source: Carload Waybill Statistics, 1955, ICC.

One-third of all 1955 exports reached destinations in the North-Northeast (New Jersey and those states touching on the Great Lakes, with the exclusion of Minnesota). (See Table 2.)

The pattern, then, shows two major export market areas: (1) adjacent states (principally Florida) and (2) the North-Northeast, with the middle-eastern belt of Kentucky, West Virginia, Virginia, and Maryland largely overpassed.

Due westward, Mississippi received less than 115,000 tons of Georgia's 1955 exports, and Texas and Louisiana each were recipients of something over 200,000 tons. The total for all other states west of the Mississippi was less than 520,000 tons, or less than six per cent of Georgia's total export weight.

Commodities

Georgia's rail freight exports by major classifica-

Table 6
Products of Forests
Principal Exports from Georgia, 1955
Carload Railway Freight

Commodity	Tonnage	Chief Destination
Lumber, shingles, lath	956,000	Northern states, Florida
Pulpwood	925,700	Florida, Tennessee, S. C.
Posts, poles, piling	214,400	Pa., Va., Fla., N. Y., N. J., Ohio
Rosin & turpentine	148,600	Pa., N. J., Miss., Mich.
Box materials	123,700	Fla.

Source: Carload Waybill Statistics, 1955, ICC.

tion are summarized in Table 3 for 1949-1955. It will be seen that in later years exports of forest products (unprocessed) have declined and manufactured exports have generally increased, signifying increased value, and income for the state, added by home manufacture.

Table 7
Per Cent of Total Imports to Georgia
From States Bordering in Georgia, 1949-1955
Carload Railway Freight

To Georgia From	1949 %	1950 %	1951 %	1952 %	1953 %	1954 %	1955 %
Ala.	19.4	17.9	19.0	20.9	21.8	19.5	19.3
Fla.	12.5	12.8	14.6	15.0	12.6	12.9	11.7
N. C.	.8	.7	.6	.8	.9	.9	.8
S. C.	5.0	5.1	5.2	6.0	7.3	7.0	6.8
Tenn.	11.2	11.3	9.1	9.6	10.4	11.1	13.3
Total	48.9	47.8	48.5	52.3	53.0	51.4	51.9

Source: Carload Waybill Statistics, 1949-1955, ICC.

The principal components of exported **manufactured products** and their destinations for the year 1955 are summarized in Table 4 in order of tonnage importance.

Though paper products are shipped chiefly to northern areas, they probably have more widespread market distribution than does any other one Georgia product, indicating a large comparative advantage in this type product. Of the one and a half million tons of paper and allied products exported in 1955 (the 1949 figure was 950,000 tons), more than half consisted of paperboard, fiberboard, and pulpboard.

More than half the scrap iron included in Georgia's exports in 1955 reached Alabama; and over half the brick and about one-third of the miscellaneous food items went to Florida.

At least some of Georgia's exports of feed and fertilizer (as well as other commodities) may be due to Georgia's position as a distribution center and may represent reshipments.⁴

Principal exported **mine products**, second to manufactures in tonnage in 1955, are summarized in Table 5 in order of tonnage importance and principal destinations.

Nearly two-thirds of Georgia exported clay goes to northern markets (as listed in Table 2, plus the

state of Maine). Kaolin, most significant of Georgia clays, is one of the state's most valuable resources, the 1953 production being valued at nearly \$20,000,000.⁵ In 1956 Georgia produced 74 per cent of the total output in the United States. Most of the state's production of this clay is shipped elsewhere.

Crushed stone, of ubiquitous nature, also has a widespread market, though Florida and South Carolina together receive over one-third of the total outshipment; and northern states, slightly over one-fifth.

All 1955 iron ore tonnage went to Alabama except for a very small amount to Tennessee (less than 6,000 tons.)

Florida, Alabama, and Tennessee received nearly 90 per cent of the exported gravel and sand.

Of **forest products**, Georgia-produced lumber, shingles, and lath reached many states and led in 1955 export tonnage, though that year's volume was little more than half that of 1951. The Great Lakes states were recipients of over half the outbound carload tonnage of lumber, shingles, and lath.

Table 8
Per Cent of Total Imports to Georgia
From Great Lakes and Northeast Region, 1949-1955
Carload Railway Freight

To Georgia From	1949 %	1950 %	1951 %	1952 %	1953 %	1954 %	1955 %
N. Y.	1.1	1.2	1.2	1.2	1.3	1.2	1.1
N. J.	.9	.6	.7	.7	.8	.5	.5
Pa.	2.0	2.0	1.8	2.2	2.0	2.4	2.1
Ohio	4.1	3.3	4.5	3.7	3.2	3.4	3.1
Mich.	2.8	3.6	3.0	2.5	2.8	3.0	3.8
Ind.	1.5	1.3	1.3	1.0	1.3	.9	.9
Ill.	3.2	3.8	3.4	4.0	2.8	3.6	3.1
Wisc.	1.1	.9	1.0	1.5	1.0	1.0	.8
Total	16.7	16.7	16.8	16.8	15.2	16.0	15.4

Source: Carload Waybill Statistics, 1949-1955, ICC.

Despite Georgia's increasing processing of her basic forest resources, pulpwood continues as an outstanding export (See Table 6). In recent years Florida has become the chief market for Georgia pulpwood,⁶ receiving nearly two-thirds of the 1955 outgoing tonnage.

5. U. S. Bureau of Mines. See Georgia Mineral Newsletter, Vol. X, No. 1, Spring 1957, p. 2, published by the Georgia Geological Survey.
6. It is probable that much of Georgia's pulpwood exports to Florida represents convenience shipments—the crossing of the state line from south Georgia forests.

Table 9
Georgia Imports by Major Classification, 1949-1955
Carload Railway Freight (in tons)

Year	All Commodities	Manuf. & Misc.	Products of Forests	Products of Mines	Products of Agric.	Animals & Animal Prod.
1949	10,460,800	4,952,600	1,024,400	3,153,200*	1,175,500	155,100
1950	12,248,600	5,439,200	1,284,100	4,104,500*	1,232,100	188,700
1951	13,342,000	6,044,700	1,571,500	4,396,100	1,128,400	161,600
1952	12,362,200	5,884,000	1,446,300	3,730,400	1,074,200	177,300
1953	13,204,300	6,349,000*	1,664,600	3,836,200	1,194,100	159,500
1954	12,617,500	6,044,600	1,443,500	3,818,900	1,143,900	131,000
1955	14,344,500	6,703,300	1,842,000	4,416,700	1,165,500	154,400

*Data for products of mines for 1949 and 1950 and for manufactures and miscellaneous for 1953 obtained by subtracting total of other commodities from total "all commodities" for the appropriate year.

Source: Carload Waybill Statistics, 1949-1955, ICC.

Over 40 per cent of the export tonnage of box materials went to Florida, whose fruit industry explains the need for such materials.

Table 10
Manufactures and Miscellaneous
Principal Imports to Georgia, 1955
Carload Railway Freight

Commodity	Total Tonnage	Chief Sources
Portland cement	791,500	Ala., Tenn.
Iron & steel products*	595,500	Ala., Pa., Ohio
Vehicle parts	529,000	Mich., Ohio
Paper and allied products**	456,800	La., Va.
Furnace slag	385,300	Ala.
Gasoline	366,700	Ala., Fla.
Chemicals NOS	252,400	New Mexico
Food products	223,700	Calif., Pa., Mich., Tenn., Wis.
Fertilizers NOS	214,500	Ala., Fla., Ark., La.

*All forms of manufactured iron and steel, such as wire, pipe fittings, pig iron, etc.

**Includes various paper products, such as paperboard, fiberboard, pulpboard, wrapping paper, wallboard, building paper roofing, etc.

Source: Carload Waybill Statistics, 1955, ICC.

IMPORTS

Sources:

The import pattern presents a different picture from that of exports. Percentagewise, contiguous states supply a somewhat larger proportion of Georgia's imports. However, the significant difference applies to participation by northern states. Though these states receive about one-third of Georgia's export weight, they supply less than one-sixth of her inbound rail tonnage. Tables 7 and 8 show the percentage distribution of imports from adjacent and from northern states.

Kentucky, not significant in the export pattern, is fourth in Georgia import sources. Her position is due to the large shipments of bituminous coal, which constitutes nearly 90 per cent of all tonnage imported to Georgia from that state. The states of Louisiana, Texas, and Virginia also figure more prominently as sources of commodity inflow to Georgia than they do as markets for Georgia products.

Commodities

Table 9 summarizes Georgia imports for 1949-1955. It will be noted that, with the exception of products of forests, for every year Georgia's import

tonnage of each major commodity classification was greater than that of exports (Table 9 compared with Table 3).

Principal manufactured products, the largest major classification of imports, are shown for 1955 in Table 10.

Table 11 summarizes the chief mine products shipped into Georgia by rail freight in 1955.

Table 11
Products of Mines
Principal Imports to Georgia, 1955
Carload Railway Freight

Commodity	Total Tonnage	Chief Sources
Bituminous coal	2,730,000	Kentucky, Tennessee
Crushed stone	565,000	S. C., Fla., Ala.
Phosphate rock	350,900	Florida
Sand and gravel	340,100	Alabama, S. C.

Source: Carload Waybill Statistics, 1955, ICC.

It will be noted that crushed stone and sand and gravel are both imported into and exported from Georgia.

Paradoxically, pulpwood, a considerable export item, is the chief import of the forest commodity classification, amounting to over a million tons in 1955. In addition, over half a million tons of unspecified forest products (almost wholly from Florida) were shipped into Georgia, as well as some lumber, shingles, and lath (Georgia's leading forest export classification) from several states, but principally from Oregon. The Oregon source in all probability represents types of wood not native to the Southeast.

Table 12
Products of Forests
Principal Imports to Georgia, 1955
Carload Railway Freight

Commodity	Total Tonnage	Chief Sources
Pulpwood	1,045,100	S. C., Fla., Ala., Tenn.
Forest products NOS	531,700	Fla.
Lumber, shingles, lath	152,900	Oregon, Ala., S. C.

Source: Carload Waybill Statistics, 1955, ICC.

Although agricultural products account for less than ten per cent of all Georgia import tonnage by railway freight, over a million tons of farm produce were shipped into Georgia in 1955.

Cotton products (bales, linters, cottonseed, cottonseed cake meal, and cottonseed hulls) amounted

Table 13
Georgia Intrastate Shipments by Major Classification, 1949-1955
Carload Railway Freight (in tons)

Year	All Commodities	Animal & Animal Products	Mine Products	Forest Products	Agricultural Products	Manufactured Products
1949	6,974,700	5,400	2,961,900*	2,228,000	211,700	1,567,700
1950	7,974,400	2,400	3,237,400*	2,768,000	168,400	1,798,200
1951	8,890,800	13,200	3,681,200	3,223,600	192,500	1,780,300
1952	9,637,900	8,700	4,237,700	3,152,100	157,800	2,081,600
1953	10,455,100	4,200	4,768,900	3,532,000	143,100	2,006,900*
1954	9,608,100	3,000	4,334,700	3,538,800	117,100	1,614,500
1955	10,815,600	6,000	4,512,200	4,351,900	76,900	1,868,600

*Estimated. See footnote to Table 3.

Source: Carload Waybill Statistics, 1949-1955, ICC.

to over 400,000 tons, and flour (wheat and other) accounted for over 250,000 tons.

INTRASTATE SHIPMENTS

Of all waybill tonnage terminating in Georgia in 1955, about 43 per cent was of Georgia origin. Intrastate shipments by major classification for 1949-1955 are shown in Table 13. An increase of 55 per cent is seen in the total tonnage movement of commodities within the state from 1949 to 1955.

Georgia mines contributed the largest tonnage in intrastate shipments, the greatest weight being in crushed stone—over 2,700,000 tons in 1955. A large volume of gravel and sand (nearly 1½ million tons in 1955) also moved within state borders. (See Table 14.)

In lesser amounts, clays and other miscellaneous mine products were also part of the intrastate traffic pattern.

The greatest increase from 1949 to 1955 was in forest products, the tonnage of which nearly doubled over the period—indicative of the progress made in recent years not only in the uses of the wood and other products from Georgia trees, but in their manufacture in home-located industries. Approximately two-thirds of all shipments from Georgia's forests went to Georgia industrial plants in 1955 for processing and manufacture.

Table 14
Georgia Intrastate Shipments, 1955
Principal Products of Mines
Carload Railway Freight

Item	Tonnage
Crushed stone	2,735,600
Gravel & sand	1,492,600
Clay	97,000

Source: Carload Waybill Statistics, 1955, ICC.

By far the outstanding item of forest loadings for intrastate shipment was pulpwood, amounting to over 3½ million tons in 1955—more than twice the 1949 tonnage. In much lesser volume, logs, butts, bolts, lumber, shingles, lath, posts, poles, and piling made up other shipments within the state. (See Table 15.)

Table 15
Georgia Intrastate Shipments, 1955
Principal Products of Forests
Carload Railway Freight

Item	Tonnage
Pulpwood	3,673,000
Logs, butts, bolts	224,500
Lumber, shingles, lath	164,600
Posts, poles, piling	132,200

Source: Carload Waybill Statistics, 1955, ICC.

Products resulting from manufacture comprised less than 20 per cent of all 1955 intrastate railroad freight movements. Fertilizers made up the largest single item (over 15 per cent of all manufactured shipments), followed by gasoline (about 13 per cent of all manufactured items). Other products of sizable volume were feed (for animals and poultry) and sugar. Feed shipments in 1955 showed a 75 per cent increase over 1949. Georgia markets for feed may be expected to enlarge as the broiler industry in Georgia continues to grow.

Table 16 itemizes products which collectively ac-

count for about 75 per cent of the 1955 intra-Georgia tonnage movement of manufactured products.

Table 16
Georgia Intrastate Shipments, 1955
Principal Manufactures and Miscellaneous
Carload Railway Freight

Item	Tonnage
Fertilizers NOS	300,800
Gasoline	238,300
Feed A & P NOS	135,300
Sugar	105,900
Sodium products	88,000
Fuel road oils NOS	87,600
Mfrs. & misc. NOS	79,800
Woodpulp	79,700
Scrap iron	74,500
Wallboard	60,400
Brick, common	58,800
Refd. petrol. NOS	34,000
Cottonseed oil	32,400

Source: Carload Waybill Statistics, 1955, ICC.

As was true in the export and import patterns, tonnage of agricultural products and animals and their products was relatively small in intrastate commerce.

SUMMARY

The inferences from Georgia's trade patterns as presented by rail freight data may be summarized briefly as follows:

1. Georgia's domestic trade zone is chiefly that part of the United States lying east of the Mississippi River. About half of Georgia's trade (both imports and exports) is with neighbor states. Northern-northeastern states are relatively more important in the export traffic than in the import traffic.

2. Relatively little rail freight traffic exists between Georgia and the states west beyond Alabama.

3. Georgia's comparative advantages are evidenced in the composition of her exports, chief of which are paper and paper allied products, clay, crushed stone, lumber, shingles, and lath, and pulpwood.

4. Georgia's comparative disadvantages are implied in her imports—chiefly bituminous coal, portland cement, vehicle parts, iron and steel products.

5. There is duplication of some products—chiefly pulpwood and other forest products, paper and allied products, and crushed stone—in the export and import patterns. Although some of this traffic probably represents convenient trading across state lines, individual industries might consider a revision of shipment patterns, which could prove profitable to the industry and to the state.

6. Because Georgia occupies an advantageous position as a distribution center for the Southeast, market-oriented industries in increasing numbers are finding locations in Georgia, and products of these industries will become more and more significant in the export trade.

7. Over half of all 1955 exports represented mine and forest products (in unprocessed form), suggesting the potentialities of further development in Georgia of resource-based industries.

8. Local trade (that is, traffic flow within the state) is increasing, particularly in products of forests and mines.

[End]

The Southeastern Corner

by
Warren A. Walker

THE FORESTS OF THE SOUTHEAST

It has come increasingly to the writer's attention in recent months that the typical southerner does not appreciate the economic significance of the forests with which he is surrounded. There are various reasons for this situation, and perhaps it will be worthwhile to examine some of them.

First of all, while the southeastern United States has an economy that still relies heavily on agricultural contribution, the bulk of the population is only indirectly concerned with agricultural activities. Even the city dweller who is directly concerned with agriculture in some related activity, such as food processing, generally has his attention centered on a single product, or at least a single type of product. The broader concepts of the agricultural resources of his area escape him.

A second factor is that forests have one great, basic dissimilarity with the majority of other crops. With the exception of fruit trees, for which there is a lapse of a few years from planting to yield, most crops are harvested the same year they are planted. In the case of forests the mature man harvests what he may have planted as a boy.

Finally, with the exception of a few large paper mills, the majority of sawmills, planing mills, and furniture factories are relatively small operations in isolated areas.

Extent of Southeastern Forests

The southeastern United States, which comprises only about 18 per cent of the land area of the country, has approximately one third of the forests. If we expand our consideration to the entire area of what is generally thought of as the South—i.e., Louisiana, the eastern portion of Texas, and the eastern portion of Oklahoma—the percentage of the nation's forest lands rises to almost a half. Of course when we speak of the woodlands of the Southeast we think particularly of pulpwood — and more especially of the various varieties of pine found in this area.

The chart accompanying this article indicates the trend of pulpwood production in the southeastern United States over a fourteen-year period. This is a composit chart of figures drawn from a number of sources. The available 1955 and 1956 figures were incomplete, hence the dotted line represents a projection based on the average annual increment of the preceding fourteen years. For the purposes of this analysis the states included are Alabama, Flori-



da, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee. This is, to a degree, an arbitrary selection, as the distribution of woodlands does not follow the lines set up for political subdivisions of the country.

Effect of Soil Bank Program

Two months ago we analyzed the soil bank program as it had affected a localized area, showing that a relatively high percentage of the land participating in the soil bank program had been set aside as woodlands. There has been some criticism of this Federal policy in some quarters, the objection being that it will create a vast wood surplus which will eventually be just as much of a problem as any other agricultural surplus. The writer does not agree with either the criticism or the conclusions.

First of all, although trees may be thought of as an agricultural product, from the standpoint of economics there are pronounced dissimilarities. As a general proposition the consumption of food products increases in a straight line. That is to say, there is a fairly constant ratio between population and food consumption. This is not the case in products derived from wood. For some years now the *per capita* consumption of wood products, especially paper products, has been increasing. This has been brought about partially by a substitution process whereby consumers now use paper products instead of handkerchiefs and towels—all the way to wax paper cartons for milk and cheese.

Many thousands of acres of land that previously were superior agricultural land have deteriorated through erosion. The shift to forestry, stimulated by the soil bank program, is probably the best system of land use for these areas, as it will help to halt erosion.

Forests of the Future

The United States Forest Service has made some rather interesting projections based on this trend and the population growth trend. Interestingly

enough, to indicate further the importance of the Southeast¹ in this activity, the growing period of this part of the country was apparently used for these projections. The projection dates were 1975 and 2000. In this area it requires about 25 years to grow pulpwood and about 50 years to get trees to the sawtimber stage.

Based on these projections the United States Forest Service reached the conclusion that the timber requirements by the year 2000 will be approximately *twice* those of 1952 (the year in which these projections were made). The writer does not feel that these projections are unrealistic. It would appear that the present soil bank program relative to timberlands, rather than creating a surplus, is

1. The forests of the Southeast were among the first products to achieve commercial importance even in pre-revolutionary days. Savannah has been famous as a supply center for naval stores for more than two centuries.

merely encouraging landowners to have forests at the proper stage of growth when they will be needed.

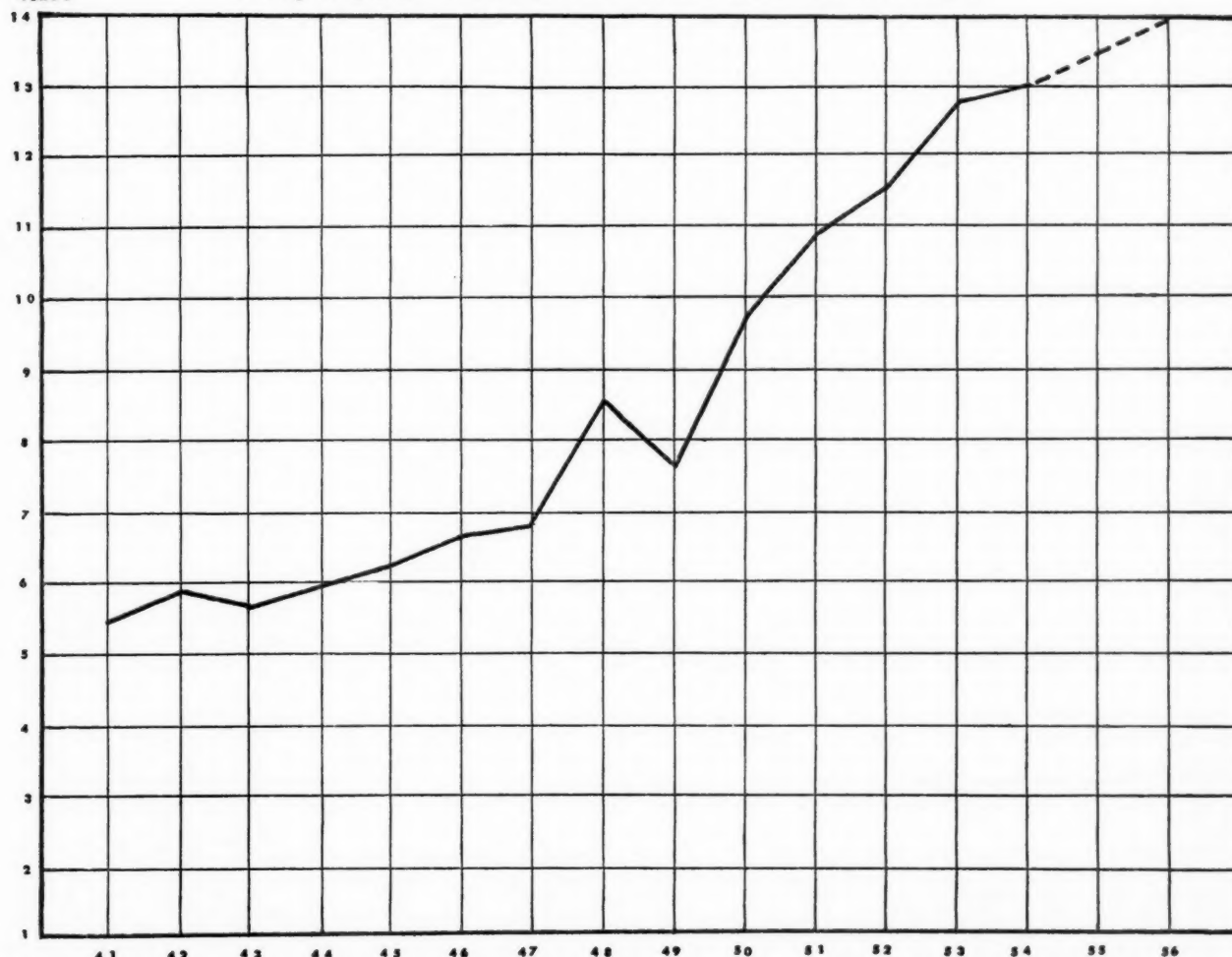
Problems Facing the Industry

In spite of the rapid growth of the forestry industry, certain problems still are to be faced. Small farmers own most of the forest land acreage (in Georgia they own nearly two-thirds of the forest area), and better management practices are to be desired. Among the difficulties to be overcome are poor reforestation practices; inefficient cutting and thinning methods; heavy losses from fire, insects, and disease; the encroachment of low grade hardwoods or cull timber upon the commercially valuable softwoods; and understocking (estimated as prevailing over one-third of Georgia's forest area).²

2. *Georgia Trees—Opportunity Unlimited*, Georgia Forestry Commission (1954).

MILLIONS
OF
CORDS

Pulpwood Production in the Southeast



Source: Data obtained from the *Southeastern Resources Handbook*, Section 500, published by the Bureau of Business Research, University of Georgia.

NOVEMBER 1958

ATLANTA AREA ECONOMIC INDICATORS

ITEM	November 1958	October 1958	% Change	November 1957	% Change	% Change Eleven Months '58 over Eleven Months '57
EMPLOYMENT						
Job Insurance (Unemployment) Payments -----	\$398,015	\$495,508	-19.7	\$396,586	+0.4	+81.9
Job Insurance Claimants† -----	6,898	7,328	-5.9	6,840	+0.8	+77.1*
Total Non-Ag. Employment -----	345,850	340,050r	+1.7	349,950r	-1.2	-2.1*
Manufacturing Employment -----	78,950	74,400r	+6.1	85,600r	-7.8	-11.0*
Average Weekly Earnings, Factory Workers -----	\$82.40	\$76.40	+7.9	\$81.41r	+1.2	+3.2*
Average Weekly Hours Factory Workers -----	41.2	40.0	+3.0	40.5	+1.7	-0.2*
Index of Help Wanted Ads (Seasonally Adjusted, 1947-49 Avg.=100) -----	133.9	116.2	+15.2	131.9	+1.5	-22.0
CONSTRUCTION						
Number of Building Permits§ -----	664	900	-26.2	542	+22.5	+7.3
Value of Building Permits§ -----	\$11,519,684	\$9,282,891	+24.1	\$2,833,539	+306.5	+75.8
Employees -----	22,550	23,150r	-2.6	19,500r	+15.6	+10.1*
FINANCIAL▲						
Bank Debits (Millions) -----	\$1,663.3	\$1,770.8	-6.1	\$1,546.7	+7.5	+2.8
Bank Deposits (Millions) (Last Wednesday) -----	\$1,229.3	\$1,207.9	+1.8	\$1,087.0	+13.1	+13.1**
OTHER						
Postal Receipts§ -----	\$1,745,061	\$1,780,413	-2.0	\$1,500,979	+16.3	+2.2
Department Store Sales Index (Adjusted 1947-49=100) -----	161	154	+4.5	154	+4.5	+2.0†
Retail Food Price Index (1947-49=100) -----	116.5	117.6	-0.9	113.2	+2.9	+2.9**
Number Telephones in Service ---	321,033	318,829	+0.7	303,737	+5.7	+5.7**

r—Revised

*Average month

**End of period

†—Based on retail dollar amounts

§City of Atlanta only.

N. A.—Not Available

▲Data from members of the Federal Reserve System only.

†New series. Covers unemployed Federal employees and unemployed veterans in addition to those covered by Georgia law. Claimants include both the unemployed and those with job attachments but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.

ATLANTA BUSINESS ACTIVITY

Previews of '59

As 1958 drew to a close economists from the ranks of both business and government were releasing a flurry of forecasts for the new year. Most of these economists were predicting great things for the economy during the next twelve months. In summarizing the 1959 outlook for thirty industries of importance to the South, the Atlanta Field Office of the U. S. Department of Commerce exhibited downright pessimism toward the prospects of only one industry: the hardwood plywood industry. For two-thirds of the other industries discussed the 1959 outlook was considered very bright; for the rest the forecast was, at worst, only mildly pessimistic. Most other economists have shown equal or greater optimism, some going so far as to predict an unprecedented boom extending well into the 1960's.

Among those economists exhibiting more restraint in their forecasts is Dr. Edwin G. Nourse, Vice Chairman of the Joint Council on Economic Education and former Chairman of the Council of Economic Advisors in the Executive Office of the President of the United States. In an address delivered on October 18, 1958, before the Eighth Annual Management Conference at Michigan State University, Dr. Nourse attached high significance to consumer spending as a stabilizing factor in the recent and future recessions and was confident that "there is every reason to regard it as a built-in feature of our American way of economic life for the future." But as to prospects for 1959, he said, "... I do not see in the relationships of unsatisfied needs and disposable purchasing power, of prospective cost and price relationships, of public policy and private initiative the indicators of a pronounced upturn (above seasonal) in the fourth quarter of 1958 and an accelerating boom in 1959." He went on to say, however, "I confidently expect 1959 to be a year of good prosperity, but not the fabulous boom that would make profits catch up with present or still higher stock market averages."¹

Automobile production, which is recognized by almost all economists as a prime factor in determining the direction in which our economy moves, is expected to increase materially in 1959. Estimates

range upward to figures greater than the record set in 1955, but more usual estimates are near the 5.5 million passenger units estimated by the U. S. Department of Commerce. In a most interesting discussion entitled "The Outlook for the Automobile Industry," which appeared in the November 1958 issue of *Current Economic Comment*, published at the University of Illinois, Professor Hans Brems develops a formula in which new car registrations are tied to changes in disposable personal income. The formula, which stands up extremely well for past years, gives the figure 6.8 million for registrations in 1959, assuming a 5 per cent increase (\$15 billion) in disposable personal income. An increase of \$20 billion (1957 prices) would give an estimate of 7.3 million new car registrations.

The Atlanta Indicators in November

The Atlanta economy continued its recovery movement in November with improvements in all employment data, as well as in most other fields. An increase of 5,800 workers brought the **employment total** to 345,850, which was still 4,100 shy of the November 1957 total, but was a great recovery from the 327,800 low recorded during the strike-plagued month of May. Unemployment was lower, at 3.7 per cent of the total labor force, as compared with 4.0 per cent in October and 3.4 per cent in November 1957. Nationally, unemployment in November was estimated at 5.9 per cent of the labor force. As a result of this improvement, **job insurance payments** in the Atlanta area dropped 19.7 per cent and **job insurance claimants** dropped 5.9 per cent. The increasing demand for labor is indicated by the 15.2 per cent increase in the seasonally adjusted index of the **number of help wanted ads** appearing in Atlanta newspapers.

Perhaps the brightest spot in the Atlanta economy during 1958 was the construction situation. **Permits** issued by the office of the Atlanta inspector of buildings for the year totaled \$108,157,444, which was a new record. This figure was almost equal to the combined totals for 1957 and 1956. Other building, not requiring permit, reportedly pushed the total to over \$200,000,000, while planned and unfinished work assure continued prosperity in this important industry well into 1959.

1. Edwin G. Nourse, "The Economic Outlook," *Business Topics*, V. 6, No. 3, pp. 1-6 (November 1958), Bureau of Business and Economic Research, College of Business and Public Service, Michigan State University.

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RESEARCH PAPERS AVAILABLE

Research Paper Number 5, *Georgia's Railway Freight Patterns: An Analysis of Composition and Routes, 1949-1955*, by Mary H. Bowdoin, may be obtained from the Bureau of Business and Economic Research of Georgia State College of Business Administration, 33 Gilmer St., S. E., Atlanta 3, Georgia. Single copies are available without charge.

This research study is the basis for Mrs. Bowdoin's article "Georgia's Railway Freight Patterns," appearing in this issue of *The Atlanta Economic Review*.

* * *

The following research papers may also be obtained by sending request to the Bureau of Business and Economic Research (no charge for single copies):

Number 7—*Employees' Attitudes Toward Unionization, Management, and Factory Conditions: A Case Study*, by Anthony Stampolis.

Number 11—*Marketing Implications of Interurban Development*, by Stephen Paranka.